

Docket No.: 53887-0



PATENT

AF \$
3628
3

**IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE BOARD OF PATENT APPEALS AND INTERFERENCES**

In re Application of	:	Customer Number: 20277
	:	
David LOCKWOOD	:	Confirmation Number: 7720
	:	
Application No.: 09/890,815	:	Group Art Unit: 3628
	:	
Filed: February 6, 2002	:	Examiner: H. T. Dass
	:	
For: COMPUTER BORROW AND LOAN SECURITIES AUCTION SYSTEM		

TRANSMITTAL OF APPEAL BRIEF

Mail Stop Appeal Brief - Patents
Commissioner for Patents
P.O. Box 1450
Alexandria, VA 22313-1450

RECEIVED
APR 15 2004
GROUP 3600

Sir:

Submitted herewith in triplicate is Appellant's Appeal Brief in support of the Notice of Appeal filed February 10, 2004. Please charge the Appeal Brief fee of \$165.00 to Deposit Account 500417.

To the extent necessary, a petition for an extension of time under 37 C.F.R. § 1.136 is hereby made. Please charge any shortage in fees due in connection with the filing of this paper, including extension of time fees, to Deposit Account 500417 and please credit any excess fees to such deposit account.

Respectfully submitted,

MCDERMOTT, WILL & EMERY

Scott D. Paul
Registration No. 42,984

600 13th Street, N.W.
Washington, DC 20005-3096
(202) 756-8000 SDP:kap
Date: April 12, 2004
Facsimile: (202) 756-8087



TABLE OF CONTENTS

Page

I. REAL PARTY IN INTEREST	1
II. RELATED APPEALS AND INTERFERENCES	1
III. STATUS OF CLAIMS	2
IV. STATUS OF AMENDMENTS	2
V. SUMMARY OF INVENTION	2
VI. ISSUES	3
VII. GROUPING OF CLAIMS	4
VIII. THE ARGUMENT	4
IX. CONCLUSION	19
X. PRAYER FOR RELIEF	19
APPENDIX	21

7

RECEIVED
APR 15 2004
GROUP 3600



Docket No.: 53887-017

PATENT

**IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE BOARD OF PATENT APPEALS AND INTERFERENCES**

In re Application of	:	Customer Number: 20277
David LOCKWOOD	:	Confirmation Number: 7720
Application No.: 09/890,815	:	Group Art Unit: 3628
Filed: February 6, 2002	:	Examiner: H. T. Dass
For: COMPUTER BORROW AND LOAN SECURITIES AUCTION SYSTEM	:	

APPEAL BRIEF

Mail Stop Appeal Brief - Patents
Commissioner for Patents
P.O. Box 1450
Alexandria, VA 22313-1450

RECEIVED
APR 15 2004
GROUP 3600

Sir:

This Appeal Brief is submitted in support of the Notice of Appeal filed February 10, 2004.

I. **REAL PARTY IN INTEREST**

The real party in interest is David Lockwood.

II. **RELATED APPEALS AND INTERFERENCES**

Appellant is unaware of any related appeals and interferences.

04/13/2004 EFLORES 00000138 500417 09890815
01 FC:2402 165.00 DA

III. STATUS OF CLAIMS

Claims 1-7 are pending and have been finally rejected in this application. It is from the final rejection of claims 1-7 that this Appeal is taken.

IV. STATUS OF AMENDMENTS

No amendment to the claim has been filed subsequent to the Final Office Action dated December 24, 2003.

V. SUMMARY OF INVENTION

The present invention addresses and solves problems which may arise during the borrowing of securities. In order to borrow securities, a borrower, such as a hedge fund, must establish a brokerage relationship with a broker who has a relationship with another broker for a lender of securities, and the brokers act as intermediaries between the lender and the borrower (page 1 of the written description of the specification). The use of a broker as an intermediary, however, incurs a number of disadvantages from the perspectives of the lenders and borrowers. The broker earns money by maintaining a spread between the lenders and borrowers, which, if too high, can make certain otherwise desirable transactions too costly to execute. Consequently, it is difficult for the lenders and borrowers to know the going fee for a loan of securities. Furthermore, the broker's access to different lenders and borrowers may be limited, making it difficult for the lender and borrowers to complete transactions within a given period of time (page 2 of the specification). Therefore, a need existed for an improved method and system for facilitating the borrowing and lending of securities.

According to the present invention, this need is met, per claim 1, by matching separate offers from a number of buyers and lenders that each include both an indication as to the quantity of the particular security and a fee associated with the security. Once a particular offer from a buyer and is matched with a particular offer from a seller, a notification is sent to the lender and buyer indicating that a transaction has occurred between the buyer and seller. This can be accomplished by only a single intermediary. Certain benefits of this process include eliminating one of the intermediaries; allowing a greater quantity of securities to be transacted; greater transparency for the borrower and lender because of the visibility of the fees; more anonymity for the borrower and lender; faster response time; and a knowledge base built upon a price history of the fees being bid (page 3 of the specification). These benefits can also be enhanced in a computer-implemented system performing the claimed functions. The claimed invention, thus, constitutes an improvement over the conventional system for the borrowing and lending of securities.

VI. ISSUES

The Issues Which Arise In This Appeal And Requires Resolution By The Honorable Board of Patent Appeals And Interferences (The Board) Are:

1. Whether claims 1 and 7 are unpatentable under 35 U.S.C. § 101; and
2. Whether claims 1-7 are unpatentable under 35 U.S.C. § 103 for obviousness based upon Eng et al., U.S. Patent No. 6,188,993 (hereinafter Eng), in view of Zandi, U.S. Patent No. 5,966,699.

VII. GROUPING OF CLAIMS

The appealed claims stand or fall together as a group with claim 1.

VIII. THE ARGUMENT

THE REJECTION OF CLAIMS 1 AND 7 UNDER 35 U.S.C. § 101

THE EXAMINER'S ARGUMENT:

In the paragraph spanning pages two and three of the Final Office Action, the Examiner cited Art. I, sect. 8 of the United States Constitution to establish that inventors are entitled to their inventions that promote the progress of "science and the useful arts." The Examiner then cited In re Musgrave¹ for the proposition that "the first test of whether an invention is eligible for a patent is to determine if the invention is within the 'technological arts.'"

In the first full paragraph on page three of the Final Office Action, the Examiner cited Diamond v. Diehr² to establish that certain exceptions to patentable subject matter exist, and these exceptions includes laws of nature, natural phenomena, and abstract ideas. In referring to State Street Bank & Trust Co. V. Signature Financial Group, Inc.,³ the Examiner noted that even if an invention incorporates abstract ideas, such as mathematical algorithms, the subject matter can still be patentable if the invention, as a whole, produces a "useful and tangible result." In the next paragraph, the Examiner referred to his previous analysis as a "two prong test," and support

¹ 431 F.2d 882, 167 USPQ 280 (CCPA 1970).

² 450 U.S. 175 (1981).

³ 149 F.3d 1368, 47 USPQ2d 1596 (Fed. Cir. 1999).

for this "two prong test" can be found in In re Toma,⁴ which developed a "technological arts" analysis.

In the paragraph spanning pages four and five of the Final Office Action, the Examiner asserted that the State Street Bank decision did not address the "technological arts" analysis, which is asserted by the Examiner to be the second prong of the "two prong test." The Examiner also cited Ex parte Bowman⁵ in support of this analysis. In the final full paragraph on page five of the Final Office Action, the Examiner concluded his analysis by stating:

In the present application, Claims 1, [sic] and 7 have no connection to the technological arts. None of the steps indicate any connection to a computer or technology. Therefore, the claims are directed towards non-statutory subject matter.

APPELLANT'S RESPONSE:

Appellant submits that not only has the Examiner misinterpreted the law with regard to statutory subject matter, even if the Examiner' interpretation of the law is correct, the Examiner has failed to establish that the claims are not directed to "technological arts."

A. THE CASE LAW REGARDING STATUTORY SUBJECT MATTER UNDER 35 U.S.C. § 101

The Examiner's analysis is predicated on the belief that a "technological arts" prong exists separately from the statutory subject matter analysis established in State Street Bank, which is the seminal decision regarding 35 U.S.C. § 101. The entire text of § 101 is reproduced below:

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

⁴ 197 USPQ 852 (CCPA 1978).

⁵ 61 USPQ 1669 (BPAI 2001).

The Federal Circuit in State Street Bank does not mince words⁶ when describing the scope of the subject matter encompassed by § 101. In discussing restrictions on the subject matter encompassed by § 101, the Court established that it is "improper to read limitations into § 101 on the subject matter that may be patented" when Congress clearly indicated that limitations are not to be imposed. Furthermore, based upon the "plain and unambiguous meaning" of § 101, the Court stated that statutory subject material includes processes, machines, manufactures, and compositions of matter.

The Court, however, did note that the Supreme Court identified three categories of unpatentable subject matter, "laws of nature, natural phenomena, and abstract ideas," which are identical to the categories of unpatentable subject matter already identified by the Examiner. In specifically addressing the "mathematical algorithm" exception, which falls under the category of abstract ideas, the Court stated that:

Unpatentable mathematical algorithms are identifiable by showing they are merely abstract ideas constituting disembodied concepts or truths that are not "useful." From a practical standpoint, this means that to be patentable an algorithm must be applied in a "useful" way. In Alappat, we held that data, transformed by a machine through a series of mathematical calculations to produce a smooth waveform display on a rasterizer monitor, constituted a practical application of an abstract idea (a mathematical algorithm, formula, or calculation), because it produced "a useful, concrete and tangible result"-- the smooth waveform.

⁶ The Court stated:

The plain and unambiguous meaning of § 101 is that any invention falling within one of the four stated categories of statutory subject matter may be patented, provided it meets the other requirements for patentability set forth in Title 35, i.e., those found in §§ 102, 103, and 112, ¶2.

The repetitive use of the expansive term "any" in § 101 shows Congress's intent not to place any restrictions on the subject matter for which a patent may be obtained beyond those specifically recited in § 101. Indeed, the Supreme Court has acknowledged that Congress intended § 101 to extend to "anything under the sun that is made by man." Diamond v. Chakrabarty, 447 U.S. 303, 309 (1980); see also Diamond v. Diehr, 450 U.S. 175, 182 (1981). Thus, it is improper to read limitations into § 101 on the subject matter that may be patented where the legislative history indicates that Congress clearly did not intend such limitations. See Chakrabarty, 447 U.S. at 308 ("We have also cautioned that courts 'should not read into the patent laws limitations and conditions which the legislature has not expressed.'" (citations omitted)).

The Court then further described another example that produced a useful, concrete and tangible result.⁷ In yet another example, the Court stated that the transformation of electrocardiograph signals "corresponded to a useful, concrete or tangible thing," which was the condition of a patient's heart. All of these examples were held to be patentable subject matter.

In reviewing this analysis, Appellant notes that by emphasizing the term "useful" in the phrase "a useful, concrete or tangible result," the Court in State Street Bank returns to the original definition of patentable subject matter found in the United States Constitution (i.e., "science and the useful arts"), which also includes the term "useful." Therefore, although a claim may recite an abstract idea, such as a mathematical equation, the subject matter covered by the claim passes muster under § 101 if the claimed subject matter produces a useful result.

The Federal Circuit in State Street Bank also addressed a legal concept known as the "business method exception" to § 101. The business method exception, as a separate legal concept, however, is a fiction. As noted by the Court, "business methods have been, and should have been, subject to the same legal requirements for patentability as applied to any other process or method."⁸ Thus, there are no exceptions to patentability for subject matter directed to business methods.

⁷ The Court stated:

Today, we hold that the transformation of data, representing discrete dollar amounts, by a machine through a series of mathematical calculations into a final share price, constitutes a practical application of a mathematical algorithm, formula, or calculation, because it produces "a useful, concrete and tangible result"--a final share price momentarily fixed for recording and reporting purposes and even accepted and relied upon by regulatory authorities and in subsequent trades.

⁸ See also AT&T Corp v. Excel Communications, Inc., 50 USPQ 2d 1447 (Fed. Cir. 1999).

Despite the Federal Circuit's decision in State Street Bank, the Examiner is asserting that there is another restriction placed on statutory subject matter that was not addressed either by State Street Bank or the Supreme Court. The Examiner is essentially asserting that the Federal Circuit, after basing an analysis of § 101 on Congress's intent not to limit the subject matter encompassed by § 101, simply ignored the implications to this analysis of the judge-made "technological arts" restriction to § 101. Appellant, however, is incredulous that the Federal Circuit, after clearly (i) enunciating what constitutes statutory subject matter, (ii) acknowledging Congress's intent not to place any restrictions on this statutory subject matter, and (iii) acknowledging that the Supreme Court has identified three categories of unpatentable subject matter, would knowingly fail to address another restriction to patentable subject matter (i.e., the asserted "technological arts" prong). The Federal Circuit did not address the alleged "technological arts" prong because this test is not a separate prong, as asserted by the Examiner, but instead, just a different name for the "usefulness test" already discussed within State Street Bank.

As indicated in the Examiner's argument, the decision of In re Musgrave is the genesis for the alleged "technological arts" prong. Only a single paragraph in this decision addresses the term "technological arts," and this paragraph is reproduced below:

We cannot agree with the board that these claims (all the steps of which can be carried out by the disclosed apparatus) are directed to non-statutory processes merely because some or all the steps therein can also be carried out in or with the aid of the human mind or because it may be necessary for one performing the processes to think. All that is necessary, in our view, to make a sequence of operation steps a statutory "process" within 35 U.S.C. 101 is that it be in the technological arts so as to be in consonance with the Constitutional purpose to promote the progress of "useful arts." Const. Art. I, sec. 8.

As readily apparent from this paragraph, the Court in In re Musgrave did not create a new "technological arts" prong to a § 101 analysis. Instead, the Court merely used the terms

"technological arts" and "useful arts" interchangeably without establishing any difference in meaning between the two terms. Given that the Court in In re Musgrave did not distinguish between "technological arts" and "useful arts," it is not surprising that the Federal Circuit in State Street Bank did not separately recognize the alleged "technological arts" prong because the Federal Circuit already addressed this analysis when discussing the "usefulness test."

The Examiner also relied extensively on In re Toma to support the notion of a "technological arts" prong separate from the "usefulness test" discussed in State Street Bank. However, even the language from In re Tomas cited by the Examiner does not support this notion. On page four of the Office Action, the Examiner cited the following passage from In re Toma:

The "technological" or "useful" arts inquiry *must* focus on whether the claimed subject matter ... is statutory, not on whether the product of the claimed subject matter ... is statutory, and *not* on whether the claimed subject matter is presently perceived to be an improvement over the prior art, e.g., whether it "enhances" the operation of a machine. (emphasis in original)

Again, as readily apparent from this paragraph, the Court in In re Toma used the terms "technological" and "useful" interchangeably without attributing any different meaning to these terms. Therefore, In re Toma further supports Appellant's position that the Examiner's asserted "technological arts" prong is no different than the "usefulness test" discussed in State Street Bank.

The Examiner's final citation in support of his assertion that a "technological arts" prong exists separately from the "usefulness test" discussed in State Street Bank is the unpublished decision by the Honorable Board in Ex parte Bowman. However, a review of this decision does not yield any support for the Examiner's assertion. By stating that "[t]he phrase 'technological

arts" has been created to offer another view of the term 'useful arts,'" the Board clearly recognizes no difference between the Examiner's "technological arts" prong and the "usefulness test" discussed in State Street Bank. Furthermore, the Board's decision in Ex parte Bowman to uphold a rejection under § 101 is based on an analysis that "the invention before us is nothing more than an abstract idea." Appellant, therefore, respectfully submits that none of the cases cited by the Examiner support the notion that a "technological arts" prong exists separately from the "usefulness test" discussed in State Street Bank.

B. ANALYSIS UNDER STATE STREET BANK OR THE "TECHNOLOGICAL ARTS" PRONG

Under the analysis described by the Court in State Street Bank and even adding the Examiner's separate "technological arts" test, the Examiner has failed to establish that the claimed subject matter is not statutory.

As indicated in State Street Bank, the first step in an analysis under § 101 is determine whether or not the claimed subject matter falls under one of the four expressly stated categories of patentable subject matter (i.e., process, machine, manufacture, or composition of matter). Claims 1 and 7 both recite a method that includes at least four separate steps, and since 35 U.S.C. § 100(b) defines the term "process" to includes a "method," Appellant submits that claims 1 and 7 are directed to an expressly stated class of patentable subject matter (i.e., a process).

Notwithstanding that the claimed subject matter already falls with a patentable category, another step in this analysis is determine whether the claimed subject matter is directed to one of the three exceptions (i.e., laws of nature, natural phenomena, and abstract ideas). Appellant

submits that no colorable argument could be made that the claimed subject matter is directed to a law of nature or natural phenomena, which leaves only abstract ideas. The Examiner, however, has made no assertion that the claimed invention is directed to an abstract idea.

Even *assuming arguendo* that the Examiner could establish that the claimed subject matter is directed to one of the three excluded categories to statutory subject matter, the "usefulness" exception to the excluded subject matter established by the Court in State Street Bank would apply. Specifically, the claimed invention produces a useful, tangible and concrete result. Upon a borrower and lender separately indicating offers to borrow and lend a security, the borrower and lender separately receive a notification that a transaction between the borrower and lender has been consummated based upon a matching of the offers. The claimed subject matter covers a transaction that has real world consequences, and therefore, produces a tangible and concrete result. The usefulness of the subject matter is self-evident. For the reasons stated above, any analysis based upon State Street Bank would lead to a conclusion that the claimed subject matter passes muster under § 101.

Even if "technological arts" requirement exists separately from the "usefulness test" discussed in State Street Bank, as asserted by the Examiner, Appellant submits that the Examiner has failed to establish that claims 1 and 7 are not connected to the technological arts. The Examiner has merely asserted that claims 1 and 7, without explaining why, "have no connection to the technological arts." Notwithstanding the Examiner's analysis is conspicuous for lack of any citations to case law that define what constitutes the "technological arts," Appellant is aware that U.S. Patent Office has issued Examination Guidelines for Computer-Related Inventions that

includes a discussion related to the technological arts prong identified by the Examiner. The Examination Guidelines includes the statement that "[t]he utility of the invention must be within the 'technological arts.'" This sentence is immediately followed by a footnote, which is reproduced below:

[7] *See, e.g., Musgrave*, 431 F.2d at 893, 167 USPQ at 289-90, *cited with approval in Schrader*, 22 F.3d at 297, 30 USPQ2d at 1461 (Newman, J., dissenting). The definition of "technology" is the "application of science and engineering to the development of machines and procedures in order to enhance or improve human conditions, or at least to improve human efficiency in some respect." Computer Dictionary 384 (Microsoft Press, 2d ed. 1994).

Assuming that the Examiner's analysis as to whether or not the claimed invention is within the "technological arts" is based on the Examination Guidelines, Appellant is troubled as to the particular definition for the term "technology" cited in the Examination Guidelines. The Patent Office has merely picked a random entry out of a dictionary with no explanation as to why this dictionary definition was chosen out of the many⁹ possible.

Notwithstanding Microsoft's contributions to technology over the past decade or so, a computer dictionary published by Microsoft Press should not be the basis for a determination as to whether or not claimed subject matter is statutory, and therefore, patentable. Instead, Appellant submits that the Patent Office should have chosen a court-recognized definition of the term "technology" in its Examination Guidelines. The omission of a court-recognized definition in the Examination Guidelines, however, is not unexpected since a "technological arts" analysis, as argued by Appellant above, is identical to the "usefulness test" in State Street Bank, which does not require a definition of the term "technology."

⁹ The Merriam-Webster Online Dictionary (www.m-w.com), for example, yields four different definitions for the term "technology," and the Webster's College Dictionary, Random House, 1995, pg. 1371, includes five different definitions.

It is interesting to note that the Examiner's analysis includes a statement that if the claims were to recite a computer that implements the claimed process, then the claims would fall within the field of "technological arts." Although in recent years the term "technology" has been synonymous with computer-related items, reciting a computer that implements the claimed process cannot be the only manner in which a particular claimed method can be deemed statutory subject matter. Otherwise, no method claims could have been patented prior to introduction of the computer. Since method claims have been patented well before the introduction of the computer, the field of "technological arts" must therefore include subject matter that does not require the implementation of a computer.

Although Appellant is unaware of an opinion that specifically sets out what subject matter falls with the field of "technological arts," Appellant submits that the field of "technology arts" should follow the guidance of the Supreme Court in Diamond v. Chakrabarty,¹⁰ in which the court indicated that statutory subject matter "'include[s] anything under the sun that is made by man'" with the exception of "laws of nature, physical phenomena, and abstract ideas." Since securities and transactions related to securities are made by man, and as argued above, neither laws of nature, physical phenomena, nor abstract ideas, Appellant submits that the claimed subject matter falls with the "technological arts."

**THE REJECTION OF CLAIMS 1-7 UNDER 35 U.S.C. § 103 FOR OBVIOUSNESS BASED UPON
ENG IN VIEW OF ZANDI**

The basis for the Examiner's rejection of claims 1-7 was articulated in the Office Action

¹⁰ 447 U.S. 303 (1980).

dated July 16, 2003, and this analysis was referred to in the Final Office Action dated December 24, 2003.

In a Request for Reconsideration filed October 14, 2003, Appellant argued that the Examiner has (i) not properly construed a meaning for the term "security" consistent with that term's ordinary and customary meaning; (ii) not established that the applied prior art teaches or suggests that each of the offers to lend a security indicates a corresponding fee; (iii) not established that the applied prior art teaches or suggests that a fee is associated with offers to borrow a security; and (iv) has improperly asserted a motivation to combine the applied prior art that does not originate from the applied prior art. Notwithstanding the Examiner's response in the Final Office Action, Appellant respectfully submits that the Examiner has failed to traverse these arguments for the reasons stated below.

THE EXAMINER IMPROPERLY CONSTRUED THE CLAIMED TERM OF "SECURITY" TO BE EQUIVALENT TO THE "SYNTHETIC CURRENCY" OF ENG

On pages three through five of the Request for Reconsideration, Appellant argued that the Examiner did not properly construe a meaning for the claimed term "security" and the Examiner improperly asserted that the synthetic currency of Eng corresponds to the securities of Appellant's claimed invention. In responding to these arguments, the Examiner stated the following on page 6 of the Final Office Action:

III. Regarding Applicant's remark, "The medium being traded in the Examiner's primary reference ..." The Applicant's reference (Eng col. 7, lines 57-58) are for another feature of the invention. Eng invention is not directed to cash only, see (Eng. col. 4 lines 30-47).

Appellant previously referred to column 7, lines 57-58 of Eng to support the assertion that the

synthetic currency of Eng is also described as being equivalent to cash ("This provides companies that are asset rich but cash poor access to synthetic currency (cash), i.e., IM."). In the above-reproduced response by the Examiner, the Examiner cited to column 4, lines 30-47, which is reproduced below:

The Investment Advisor (IA) 19 upon a request to create or liquidate IM from the TA 18, directs as to what particular (short, medium, or long term) investments should be purchased or sold to maintain IM's high rate of return and high liquidity. This is similar to a treasury function. The IA 19 also re-invests mature investments into other investments to maintain the IM investment mix. The IA 19 processes advanced notice on large IM buy or sell orders by acting as necessary to minimize the cost of IM creation or liquidation.

Under the expanded system the IA 19 could offer advice as to what average return rate mutual funds or other financial instrument(s) provide. The IA 19 could establish a unit of participation that is derived from a combination of different mutual funds, securities, notes, letters of credit, trade invoices, and other electronic commerce. In that case the IA 19 would function like the IM IA 19 by keeping the pool (the derivative mutual fund) strategically invested in the underlying mutual funds and other financial instruments.

Notwithstanding the mention of a laundry list of financial instruments (i.e., "mutual funds, securities, notes, letters of credit ...") in the above passage, Appellant notes that IM (i.e., synthetic currency) is indicated as "being derived from" (emphasis added) this list of financial instruments. Put another way, the IM or synthetic currency of Eng is backed by these financial instruments. However, this is not equivalent to IM or synthetic currency being equivalent to securities.

Using different facts but the same concept: at one point in time, the U.S. dollar was backed by gold bullion. However, the lending and borrowing of U.S. dollars, at that time, would not have been considered equivalent to lending and borrowing gold bullion. Similarly, although Eng teaches the lending and borrowing of IM or synthetic currency, this lending and borrowing of IM or synthetic current is not equivalent to the lending and borrowing of securities. Therefore, the Examiner has improperly interpreted Eng as teaching the borrowing and lending of securities.

THE APPLIED PRIOR ART FAILS TO TEACH OR SUGGEST THAT EACH OF THE OFFERS TO
LEND AND BORROW A SECURITY INDICATES A CORRESPONDING FEE

On page five of the Request for Reconsideration, Appellant indicated that independent claims 1, 3 and 7 each recite at least two fees being indicated with one of the fees being associated with the offer to lend a security and another of the fees being associated with the offer to borrow the security. Appellant then pointed out that Eng does not teach or suggest the claimed two fees being indicated. In responding to these arguments, the Examiner stated the following on page 7 of the Final Office Action:

IV. Regarding Applicant's remark, "Combining these two limitations yields the combined invention requiring at least two fees ...", (see Eng Col. 5 lines 12-14).

For ease of reference, column 5, lines 12-14 of Eng, which was cited by the Examiner for disclosing the feature at issue is reproduced below:

The LA 12 is responsible for the collection of all debts and fees associated with the system's lending and borrowing function.

As apparent from this citation, Eng does not teach two fees, one of which is associated with the offer to lend a security and another of the fees associated with the offer to borrow the security. Instead, all this citation teaches is that fees are associated with Eng's system of lending and borrowing. There is, however, no indication by Eng as to what these fees are associated with and whether or not at least two fees need to be indicated for each transaction, as recited in the claims. Therefore, Eng fails to teach or suggest that each of the offers to lend and borrow a security indicate a corresponding fee.

THE APPLIED PRIOR ART FAILS TO TEACH OR SUGGEST THAT A FEE IS ASSOCIATED WITH OFFERS TO BORROW A SECURITY

On pages four and five of the Request for Reconsideration, Appellant indicated that independent claims 1, 3 and 7 each recite that the offers to lend a security must indicate a corresponding fee. Appellant then argued that any fees described within Eng are imposed by the IM transaction network (for example, as part of the potential borrower's rating) and are not part of the offer. In the Final Office Action, however, the Examiner did not address this argument. Notwithstanding the Examiner's silence, Appellant stands by this argument.

THE EXAMINER'S MOTIVATION TO COMBINE THE APPLIED PRIOR ART DOES NOT ORIGINATE FROM THE APPLIED PRIOR ART

On pages five and six of the Request for Reconsideration, Appellant argued that the Examiner has failed to identify a source within Zandi for the Examiner's asserted motivation to combine Eng and Zandi, and it is not apparent that this motivation can be found within Eng. Appellant also argued that one having ordinary skill in the art would not have modified Eng to include the Examiner's conceded missing limitation of sending a notification because such a notification is not necessary.

Although not reproduced in the Final Office Action, the Examiner's original analysis regarding the required motivation to combine Eng in view of Zandi is as follows:

It would have been obvious to one of ordinary skill in the art at the time the Applicant's invention was made to combine the disclosures of Eng and Zandi to send notifications to both parties (lender and borrower) of the acceptance or denial of the of the [sic] deal.

In response, Appellant argued the following:

Applicant also notes that one having ordinary skill in the art would not have modified Eng to

include the Examiner's conceded missing limitation of sending a notification because such a notification is not necessary. As described in column 3, lines 13-14, the "IM lender can then approve or disapprove a loan," and thus, there is no need to send a notification to the IM lender because the IM lender already knows that the loan has been approved. As also described in column 3, lines 15-17, "the IM lender can choose to retain the interest bearing features of IM and negotiate an interest payment from the borrower." In such a situation, notification is also not necessary because such a negotiation bypasses the intermediary system, and thus, a notification to the parties is not necessary.

In responding to Appellant's arguments, the Examiner stated the following:

In this case, after the loan application is reviewed, the approval/denial message is send, see Zandi (Col. 8 lines 45-65). In case of claim 6, the motivation is clear that Eng et al invention is for transaction between lenders and borrowers which are bring to gather [sic] using computer, similarly, Zandi and Huberman inventions are for electronic commerce (auctions) which bring the buyer/seller (lender/borrower) together, therefore it is possible for Eng et al to auction the lending of securities to seek a borrower for comparable (matching) price/quantity, see the abstract of all three.

Notwithstanding Appellant's argument that the system of Zandi does not require a notification to the lender because the lender already knows that the load has been approved, the Examiner reasons that since Eng and Zandi "are for electronic commerce (auctions) which bring the buyer/seller (lender/borrower) together" it would have been "possible" to combine the two references. The Examiner also referred to the "abstract of all three" for support, but did not explain what particular portions of the abstract support the Examiner's analysis.

Appellant submits that the Examiner's analysis is based on nothing more than the assumption that if the applied references are somewhat related, the references can be combined. The Examiner, however, has failed to explain what particular realistic benefit would be derived from this combination. As noted above, a need to send a notification to the lender, as recited in the claims, does not exist because the lender already knows the loan has been approved. Thus, no additional benefit would be derived from modifying Eng in the manner suggested by the Examiner. Appellant also notes that the Examiner has not even asserted a benefit for this modification. Appellant, therefore, respectfully submits that one having ordinary skill in the art would not have

been motivated to modify Eng in view of Zandi in the manner suggested by the Examiner.

IX. CONCLUSION

It should, therefore, be apparent that the Examiner failed to establish that the subject matter recited in claims 1 and 7 is not statutory under 35 U.S.C. § 101. Furthermore, by asserting an improper motivation to combine the applied prior art and failing to establish that the applied prior art teaches all of the claimed limitations, the Examiner did not properly discharge the initial burden of establishing a prima facie case of obviousness for claims 1-7 under 35 U.S.C. § 103.

X. PRAYER FOR RELIEF

Based upon the foregoing, Appellant respectfully submits that the subject matter recited in the claims is statutory and that one having ordinary skill in the art would not have found the claimed invention as a whole obvious within the meaning of 35 U.S.C. § 103. Appellant, therefore, respectfully solicits the Honorable Board to reverse the Examiner's rejections under 35 U.S.C § 101 and 35 U.S.C § 103.

To the extent necessary, a petition for an extension of time under 37 C.F.R. § 1.136 is hereby made. Please charge any shortage in fees due in connection with the filing of this paper,

including extension of time fees, to Deposit Account 500417 and please credit any excess fees to such deposit account.

Respectfully submitted,

MCDERMOTT, WILL & EMERY

A handwritten signature in black ink, appearing to read 'Scott D. Paul', written over the firm name.

Scott D. Paul
Registration No. 42,984

600 13th Street, N.W.
Washington, DC 20005-3096
(202) 756-8000 SDP/SAB:kap
Date: April 12, 2004
Facsimile: (202) 756-8087

APPENDIX

1. A method for facilitating the mutual exchange of securities and cash, comprising:
 - receiving a plurality of first indications of offers to lend a security from respective lenders, each of the offers to lend a security indicating a corresponding quantity of the security and a corresponding fee;
 - receiving a plurality of second indications of offers to borrow the security from respective borrowers, each of the offers to borrow the security indicating a corresponding quantity of the security and a corresponding fee;
 - matching one of the offers from one of the lenders with one of the offers from one of the borrowers based on the corresponding quantity and the fee; and
 - sending a notification of a transaction between the one lenders and the one borrower based on the matched offer.
2. The method of claims 1, further comprising recording the transaction in a database electronically accessible to a plurality of borrowers and lenders over at least one computer network and least one computer.
3. A computer system comprising a memory and one or more processors, configured to perform the steps of:
 - receiving a plurality of first indications of offers to lend a security from respective lenders, each of the offers to lend a security indicating a corresponding quantity of the security and a corresponding fee;

receiving a plurality of second indications of offers to borrow the security from respective borrowers, each of the offers to borrow the security indicating a corresponding quantity of the security and a corresponding fee;

matching one of the offers from one of the lenders with one of the offers from one of the borrowers based on the corresponding quantity and the fee; and

sending a notification of a transaction between the one lenders and the one borrower based on the matched offer.

4. The computer system of claim 3, wherein said computer system is strictly connected to separate listing financial incentives for real-time confirmation of acceptable financial transactions of the borrowing and lending of securities.

5. The computer system of claim 3, further comprising:

at least one Web computer server for serving as host for computer browsers and providing said browsers with the capability to participate in various auctions of a single product at a specified time the specified number of the product available for sale, and

a Web server cooperating the set the database computer separate from some of servers, said computer based computer being in communication with at least one said Web computer server to allow retrieval product information which includes:

- a) securities description,
- b) a quantity of the security to be auctioned
- c) a duration of the auction, and
- d) a minimum amount and rate.

6. The computer system of claim 3, wherein the computer system is further configured for implementing one or more auction mechanisms, including an English auction, a Dutch auction, a first price sealed bid uniform second price double auction, a simultaneous bidding hazard system, a handshake whisper time interval auction, a silent auction, a callable bid rotation auction, and a Swiss auction.

7. A method for facilitating the mutual exchange of securities, comprising:

receiving a plurality of first indications of offers to lend a security from respective lenders, each of the offers to lend a security indicating a corresponding quantity of the security and a corresponding fee for lending the security;

receiving a plurality of second indications of offers to borrow the security from respective borrowers, each of the offers to borrow the security indicating a corresponding quantity of the security and a corresponding fee for borrowing the security;

matching one of the offers from one of the lenders with one of the offers from one of the borrowers based on the corresponding quantity and the fee, wherein the fee for lending and the fee for borrowing are equivalent; and

sending a notification of a transaction between the one lenders and the one borrower based on the matched offer.